



## **Request for City Council Committee Action from the Departments of Finance and Property Services and Intergovernmental Relations**

**Date:** February 23, 2012

**To:** Elizabeth Glidden, Chair, Intergovernmental Relations Committee  
**Referral to:** Betsy Hodges, Chair, and Ways & Means/Budget Committee

**Subject:** City contribution to fund deficit in City's pension obligation to Teachers Retirement Association ("TRA")

**Recommendation:** Authorize staff to make \$733,924 contribution to TRA to fully fund calculated shortfall in City's historical payments to TRA.

**Previous Directives:** None

### **Department Information**

Prepared by: Kevin Carpenter, Chief Financial Officer Gene Ranieri, Director, Intergovernmental Relations Approved by: Steven Bosacker, City Coordinator Presenters in Committee: Kevin Carpenter and Gene Ranieri
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### **Financial Impact**

The recommended \$733,924 contribution will be funded with available 2011 General Fund resources thru the pension management fund, consistent with financial policy

### **Supporting Information**

In July 2011, the Board of Estimate and Taxation ("BET") was notified by TRA that, pursuant to a written finding of TRA's external auditor, the Minnesota Office of the Legislative Auditor, TRA believed that the City of Minneapolis had underfunded our statutory direct aid contribution by approximately \$71,000 since 2006, the year the Minneapolis Teachers Retirement Fund Association ("MTRFA") merged into TRA. In response, and upon adoption of the City's 2012 budget, BET increased the amount of the 2012 TRA levy to provide additional funds to cure the shortfall.

In early February 2012, TRA again notified staff to the BET that based on additional research and calculations, again performed in part by the Office of the Legislative Auditor; they believed the City's funding contribution for periods prior to the merger with MTRFA was also short, by approximately \$656,000. TRA raised the possibility that such deficits could lead to additional interest charges on these deficit amounts, with the cumulative interest charge potentially being close to \$1.1 million.

In early February 2012, based on discussions between TRA and staff to the Legislative Commission on Pensions and Retirement ("LCPR"), House File 1987 was introduced. Over the last few weeks, City staff has been working with both TRA and LCPR members and staff to explore ways to resolve the deficit issue. Recently, we have reached an understanding with TRA staff that if the City provides a contribution of the calculated deficit amount by June 30, 2012, without interest, they will consider the matter resolved and will work with LCPR to remove the provisions requiring the City to make a specified payment (presumably including interest) from House File 1987.